

HIGHLIGHTS FOR 2016

Average farm operator returns for labor and management on 2,510 Illinois farms were higher for all geographic areas in the state in 2016 compared to 2015. The average return to the sum of all operator's labor and management income in 2016 was \$27,697. The 2016 returns were \$94,895 above the 2015 average of *negative* \$67,198 and \$31,959 below the average for the last five years. A reasonable charge for the farm's debt-free capital invested in machinery, equipment, land, and inventory averaged \$58,655. Combining this amount with the return to operators' labor and management (sum of all operators) and unpaid family labor resulted in average operators' net farm income of \$89,731. Higher yields and lower fertility costs were the main reasons for higher incomes this year. Returns above feed cost for all livestock enterprises, except were higher than the year before. Hog returns above feed costs were higher due to lower feed costs. Feeder cattle returns above feed were higher due to lower feed costs as well. Returns to dairy enterprises were lower due to lower milk prices. Most counties in Illinois received farm program payments in 2016 due to the county's crop returns in 2015 being lower than their Olympic five-year average. With lower corn returns for 2016 in the southern part of the state, it is estimated many of the counties in southern Illinois will receive a farm payment in 2017 for the 2016 crop year. Farm earnings were highest in the east central part of the state. All regions had net farm incomes that were positive this year. Earnings were lowest in the southern part of the state.

Corn yields were higher than the 2015 yield and above the five-year average. Corn yields were 25 bushels per acre higher in 2016 and 29 bushels per acre above the five-year average. 2016 soybean yields were above 2015. The average corn yield on the 2,510 farms was 215 bushels per acre. Soybean yields averaged 64 bushels per acre. Corn

yields were generally highest in the central parts of the state. Soybean yields were highest in the east central area of the state. The growing season temperature was close to normal temperatures. However, the precipitation received during the growing season was variable. For the entire state, July and August were about three inches wetter than normal. The additional rain in August was one of the reasons for higher soybean yields.

Year-end inventory price for the 2016 corn crop of \$3.30 per bushel was 30 cents lower than a year earlier. \$9.80 per bushel was the new crop soybeans inventory price, \$1.20 more than December 31, 2015. The average sales price received for the 2015 corn crop sold in 2016 was above their inventory price resulting in a positive marketing margin. The 2015 soybean crop sold in 2016 was sold well above their inventory price resulting in a positive marketing margin as well. Crop returns averaged \$745 per tillable acre, \$76 per acre higher than the 2015 crop returns. This was the first year of an increasing crop return since the all-time high in 2012.

Returns above feed costs for hogs, beef and feeder cattle enterprises were higher than the year before. Dairy returns continued to decrease this year. All of the livestock enterprises experienced lower feed costs and returns above feed were lower than the five-year average. Returns for farrow-to-finish hog producers were estimated to be about \$5.72 per hundredweight below the breakeven level in covering total economic costs in 2016. Dairy producers experienced \$1,936 returns above feed per cow in 2016 compared to \$2,167 in 2015. Milk prices were nine percent lower compared to the year before. Returns above feed to feeder cattle enterprises increased from a *negative* \$5.75 in 2015 to \$16.70 in 2016. Prices paid and received for market cattle were lower than the year before.



Returns above feed per cow increased to \$21 for all cow-calf herds; however, when this group is separated into groups based on pounds produced per cow only the group with 600 to 900 pounds produced per cow showed an increase.

Estimates in net worth change can be made by adjusting net farm income for nonfarm income, withdrawals for family living, and income and social security tax paid. This amount would be a modified-cost-basis change in net worth, which excludes changes due to inflation. As seen on page 5, estimated changes in net worth showed increases nearly statewide, with the largest increase being in the central part of the state. The most northern and southern tips of the state saw a decrease in estimated net worth. Changes in net worth among individual farm operators will vary greatly due to differences in farm and nonfarm income and family living withdrawals.

Pages 3 and 6 have the average amount of interest paid per farm. Average farm interest paid in 2016 was \$29,578, up \$2,200 from 2015. Over the last ten years, interest paid on a per-acre basis was the lowest at \$20 in 2009 and the highest at \$26 in 2016. In 2016, it increased from \$24 to \$26 per acre. Interest paid as a percentage of gross farm returns was 3.9 percent in 2016 compared to 4.2 percent in 2015.

Some key financial factors, such as the current, debt-to-asset, and debt-to-equity ratios, can be found on pages 10 to 13 by type of farm. This type of information is useful in providing some benchmarks when evaluating the financial efficiency of a farm operation.

Pages 22 to 36 report returns and costs for crops and livestock enterprises. Total returns to farrow-to-finish hog producers averaged \$45.18 per hundredweight in 2016 compared to \$45.16 the year before. Feed costs decreased, averaging \$30.80 per hundredweight produced. The average price

received per hundredweight for slaughter cattle was \$120.52, and the price paid for replacement feeder cattle was \$144.16. Dairy returns included the average price received for milk of \$16.27 compared to \$17.89 in 2015.

Total economic costs per acre to produce corn and soybeans in 2016 decreased as compared to 2015 in all areas of the state. The main factors for the decrease in per acre costs were lower fertility and land costs. Costs per bushel to produce corn and soybeans decreased in all areas of the state due to higher yields and lower costs. Total economic costs per acre to raise corn and soybeans on these farms averaged \$859 and \$633, respectively.

From a sample of pure grain farms in the state, the total economic cost per bushel of corn produced was \$4.00 with an average yield of 215 bushels per acre. The total cost per bushel of soybeans was \$9.74 with an average yield of 65 bushels per acre. The 2015 costs per bushel were \$4.68 and \$10.52 for corn and soybeans, respectively. The total costs for 2012 were the highest cost per bushel to grow corn and soybeans since this study began due to lower yields from the drought. The variation in yields and costs during the past few years makes it important to analyze these costs over more than one year. The 2012-2016 five-year average to produce corn and soybeans on these farms is \$5.08 per bushel for corn and \$11.25 per bushel for soybeans.

In summary, farm earnings in 2016 were higher than the 2015 earnings and the average for the last five years. Higher crop returns, because of higher yields, marketing margin on soybeans and lower fertility costs were the main reasons for the higher incomes. Most livestock returns were higher due to lower feed costs. Even with 2016 incomes, margins are still low. The variability in incomes in the last five years show the importance of good records and financial management.

